

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

COME-00 TRSE-00 /064 W

----- 114947

R 041130Z APR 75

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 6095

INFO AMEMBASSY LONDON

AMEMBASSY ROME

C O N F I D E N T I A L VALLETTA 0355

NOFORN

E.O. 11652: XGDS (1)

TAGS: PINT, ECON, PFOR, UK, MT

SUBJECT: REDIFFUSION ISSUE AMICABLY RESOLVED

REFS: VALLETTA 279, 262, 207

1. BRITISH HIGH COMMISSION OFFICER HAS CONFIRME  
TO THE EMBASSY THAT  
THE REDIFFUSION SEIZURE REPORTED IN REFTELS HAS BEEN RESOLVED ALONG  
LINES ACCEPTABLE TO HMG AND UK REDIFFUSION COMPANY.
2. GOM DELEGATION FLEW TO LONDON IN MID-MARCH FOR DISCUSSIONS WITH  
FOREIGN SECRETARY  
CALLAGHAN ON THE REDIFFUSION CASE, FOLLOWING WHICH  
THE MANAGING DIRECTOR OF REDIFFUSION'S PARENT COMPANY CAME TO  
MALTA ON MARCH 20 TO NEGOTIATE A FINAL SETTLEMENT.
3. PRIME MINISTER MINTOFF ANNOUNCED TO PARLIAMENT ON MARCH 24 THAT  
AN AMICABLE AGREEMENT CONCERNING THE REDIFFUSION ISSUE WOULD SOON BE  
SIGNED WITH THAT COMPANY. FOLLOWING HIS ANNOUNCEMENT, MINTOFF WAS  
QUESTIONED BY THE NATIONALIST OPPOSITION REGARDING THE FUTURE OF THE  
EMERGENCY COUNCIL ESTABLISHED TO RUN REDIFFUSION UNTIL TAKEOVER  
NEGOTIATIONS WERE COMPLETED. MINTOFF RESPONDED THAT THE GOM WOULD

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WITHDRAW NOTHING THAT HAD BEEN DONE TO ESTABLISH THE COUNCIL,  
BUT HE POINTED OUT THAT THE LAW WOULD AUTOMATICALLY LAPSE

UPON THE SIGNING OF A SETTLEMENT AGREEMENT. DESPITE FURTHER QUESTIONING, MINTOFF REFUSED TO DIVULGE THAT PRICE THE GOM WOULD PAY FOR REDIFFUSION'S MALTESE FACILITIES, OR ANY OTHER DETAILS OF THE AGREEMENT WITH THE COMPANY.

4. BRITISH HIGH COMMISSION OFFICER HAS INFORMED US AGREEMENT PROVIDES THAT, 30 DAYS FROM RATIFICATION, GOM WILL PAY REDIFFUSION 500,000 MALTESE POUNDS, ALL OF WHICH MAY BE WITHDRAWN FROM MALTA FREE AND CLEAR. REDIFFUSION ALSO WILL BE ABSOLVED OF RESPONSIBILITY FOR ANY OTHER PAYMENTS, SUCH AS TERMINAL BENEFITS TO MALTESE EMPLOYEES (WITH THE EXCEPTION OF TERMINAL PAYMENTS TO APPROXIMATELY EIGHT SENIOR REDIFFUSION EXECUTIVES WHO HAVE BEEN FIRED BY MINTOFF SINCE THE GOM TAKEOVER ACTION). IN RETURN, GOM WILL RECEIVE THE ASSETS AND LIABILITIES OF ALL REDIFFUSION OWNED FACILITIES IN MALTA. THIS INCLUDES MALTA ELECTRONICS LTD., A SMALL REDIFFUSION OWNED SUBSIDIARY WHICH ESCAPED PUBLIC EMBROILMENT IN THE CONTROVERSY, AS WELL AS REDIFFUSION'S RADION AND TELEVISION BROADCASTING FACILITIES.

5. FORMAL WRITTEN RATIFICATION BY THE GOM OF THE AGREEMENT HAD NOT BEEN RECEIVED BY THE COMPANY AS OF APRIL 1. HOWEVER, BOTH REDIFFUSION AND UK OFFICIALS CONSIDER THAT MINTOFF'S ANNOUNCEMENT OF THE AGREEMENT TO PARLIAMENT ON MARCH 24 CONSTITUTES RATIFICATION. NO DIFFICULTIES ARE ANTICIPATED IN THE FINAL EXECUTION OF THE AGREEMENT.

6. COMMENT: THE FINAL SETTLEMENT FIGURE OF 500,000 MALTESE POUNDS IS MUCH HIGHER THAN MINTOFF'S ORIGINAL OFFER OF "NOT A PENNY MORE" THAN 300,000 MALTESE POUNDS (LESS A MANDATORY KICKBACK OF 100,000 MALTESE POUNDS TO COVER TERMINAL BENEFITS TO REDIFFUSION EMPLOYEES). IT IS, ON THE OTHER HAND, VERY CLOSE TO REDIFFUSION'S ORIGINAL DEMAND OF 600,000 MALTESE POUNDS. THE INCLUSION OF MALTA ELECTRONICS IN THE FINAL

PACKAGE WILL HELP SAVE FACT FOR MINTOFF IN JUSTIFYING HIS RETREAT FROM HIS ORIGINAL OFFER. THE BRITISH HIGH COMMISSION SEES MINTOFF'S RETREAT ON THIS ISSUE AS SUBSTANTIATING THEIR BELIEF THAT THE PRIME MINISTER IS BECOMING APPREHENSIVE ABOUT HIS CONTINUED INABILITY TO  
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FOSTER ECONOMIC DEVELOPMENT IN MALTA. THE ISSUE OF THE PREEMPTIVE EMERGENCY COUNCIL ACT PASSED IN THIS CASE IS ONE OF GREAT SENSITIVITY WITHIN THE MALTESE BUSINESS COMMUNITY, AND ONE WHICH INEVITABLY WILL HAVE A FURTHER NEGATIVE EFFECT ON FOREIGN INVESTORS WHO ARE ALREADY APPREHENSIVE ABOUT THE INVESTMENT CLIMATE IN MALTA. THE CONTROVERSY OVER THE LEGALITY OF THIS ACT WILL BE AN IMPORTANT POLITICAL AND ECONOMIC ISSUE IN MALTA FOR SOME TIME TO COME. WIGGINS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATIONALIZATION, DEMARCHE, GOVERNMENT MONOPOLIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975VALLET00355  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** X1  
**Errors:** N/A  
**Film Number:** D750118-0192  
**From:** VALLETTA  
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**Image Path:**  
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**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 VALLETTA 279, 75 262, 75 207  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04 JUN 2003 by BoyleJA>; APPROVED <14 OCT 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** REDIFFUSION ISSUE AMICABLY RESOLVED  
**TAGS:** PINT, ECON, PFOR, UK, MT  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006